INTERNATIONAL AVIATION TERMINALS

IAT AIR CARGO FACILITIES INCOME FUND

ANNUAL REPORT

For the year ending December 31, 2000

IAT Air Cargo Facilities Income Fund

The IAT Air Cargo Facilities Income Fund (the "Fund") is an unincorporated, limited purpose trust established on March 15, 1997 under the laws of the Province of British Columbia to acquire and hold all of the common shares (the "Shares") of International Aviation Terminals Inc. (the "Company" or "IAT") and $41,500,000 aggregate principal amount of 12.5% unsecured subordinated notes due June 10, 2027 (the "Notes") of the Company. On June 10, 1997, the Fund acquired the Shares and Notes with the proceeds from the issue to the public of 5,285,168 Trust Units at a price of $10.00 per unit. At December 31, 2000, 5,285,168 Trust Units remained outstanding. Income received by the Fund from the Shares and Notes, net of expenses, is distributed to Unitholders of the Fund on a quarterly basis.

IAT is in the business of developing and leasing buildings and related space at airports, which are designed for use by businesses involved in air transport services including air cargo and aircraft maintenance and ground handling. IAT leases land at airports in Vancouver, Calgary, Edmonton, Saskatoon and Winnipeg under long-term ground leases from airport authorities or the Government of Canada in these cities. It leases the facilities developed on these lands, which comprise a total of 1,246,000 square feet, to approximately 170 tenants. This includes approximately 210,000 square feet of hangar, office, shop and ramp space at Vancouver International Airport which IAT acquired in June 2000. At December 31, 2000, the average occupancy rate for all facilities was 93.3%.

The Trust Units are traded on the Toronto Stock Exchange under the symbol ACF.UN.

Cover photograph -

Aerial view of IAT multi-tenant and special-use air cargo facilities at the company's headquarters at Vancouver International Airport

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Highlights

Financial Results	Year Ended 31 December 00	Year Ended 31 December 99
Income Received from International Aviation Terminals Inc.		
Interest on the Notes	$ 5,187,500	$ 5,187,500
Equity in Loss of IAT	(481,000)	(1,240,000)
	$ 4,706,500	$ 3,947,500
Expenses		
Administrative Costs	130,000	$ 229,000
Net Earnings	**$ 4,576,500**	**$ 3,718,500**
Dividends Received*	**990,000**	**777,000**
Distributed Cash	**$ 6,070,000**	**$ 5,736,000**
Net Distributed Cash Per Trust Unit	$ 1.148	$ 1.085
Unitholders' Equity		
Unitholders' Equity - Opening	$ 46,012,000	$ 48,029,000
Net Earnings for the Period	4,576,500	3,719,000
Distribution Declared	($ 6,070,000)	(5,736,000)
Unitholders' Equity - Closing	$ 44,519,000	$ 46,012,000

* These are the amounts of dividends received in the year. After taking into consideration the delay in payment of distributions, the total amounts of dividends declared and paid by IAT in respect of 1999 and 2000 were $795,000 and $860,000, respectively. Based on IAT's regular quarterly dividend of $215,000, total dividends of $860,000 are anticipated to be received in 2001. See "Dividend Summary" on page 6 of this report.

Message to Unitholders

We are pleased to provide you with the fourth Annual Report of the IAT Air Cargo Facilities Income Fund. Following an initial public offering of 5,285,168 Trust Units at $10.00 per unit, the Fund acquired the Shares and Notes on June 10, 1997.

Distributions to Unitholders are entirely dependent upon interest and dividend payments received from IAT. These payments are dependent upon the earnings and cash flow from the operations of IAT which are affected by the occupancy of its facilities, the lease rates achieved from tenants, the recovery from tenants of its building operating costs and the amounts and timing of capital expenditures and the recoveries of such expenditures.

Annual distributions to Unitholders have increased from a level of $5,683,500 or $1.075 per Unit for 1998, the first full year of ownership of IAT by the Fund, to $6,070,000 or $1.148 per Trust Unit for 2000. Aggregate distributions in 1999 were $5,736,000 or $1.085 per Trust Unit for the period ended December 31, 1999.

In 2000, IAT commenced paying a higher dividend of $215,000 ($0.041 per unit) per quarter ($860,000 or $0.163 per unit per year). It is anticipated that IAT will continue to pay dividends at this level, which is up from an aggregate of $777,000 ($0.147 per unit) for 1998. The "Dividend Summary" on page 6 shows IAT's dividend history.

On February 23, 2000, IAT announced the completion of its latest air cargo facility development at the Vancouver International Airport (Phase X). It comprises 52,000 square feet and is fully leased. On June 19, 2000, IAT announced the acquisition of the Airside Facilities (Vancouver Phase XI) comprising 210,000 square feet, 82% of which is currently leased. These two transactions both provide incremental revenue to the Fund.

We look forward to the fourth Annual General Meeting of Unitholders of the Fund to be held at 2:00 p.m. on June 5, 2001 at the Hotel Vancouver in Vancouver, British Columbia and to reporting to you on the results of the Fund for the first quarter of 2001.

Respectfully submitted on behalf of the Trustees,

Robert J. Mair, Q.C.
Chairman
IAT Air Cargo Facilities Income Fund

April 6, 2001

Fund Structure

IAT Air Cargo Facilities Income Fund is a limited purpose trust created under the laws of British Columbia on March 15, 1997 pursuant to a Declaration of Trust. The Fund was created to own all of the Shares and Notes of the Company. In its air cargo facilities business, IAT leases space in 18 buildings to businesses operating in the air cargo business and other aviation related businesses. In its Airside Facilities, IAT leases space to businesses involved in the maintenance of aircraft. The Fund's principal office is located at Suite 2000 - 5000 Miller Road, Richmond, British Columbia V7B IK6.

The Fund does not carry on any active business but rather is restricted to holding the Shares and Notes of IAT and, on a temporary basis, cash and short-term investments. The affairs of the Fund are supervised by three Fund Trustees who are appointed annually by the Unitholders. The affairs and operations of IAT are supervised by its Board of Directors and management is provided under certain management and governance agreements made with IAT Management Inc., controlled by T. Richard Turner, and LMT Management Ltd., which is controlled by all of the former shareholders of IAT.

Management of the Company

LMT Management Ltd. provides strategic advice under a ten-year Strategic Management Agreement with the Company. Pursuant to the provisions of a Corporate Governance Agreement, the Board of Directors of the Company is to be comprised of five members nominated as follows:

- two directors nominated by the Fund, one of whom is not a Fund Trustee and is also an "unrelated director" (within the meaning of the corporate governance policy of The Toronto Stock Exchange); and

- three directors nominated by LMT Management Ltd., one of whom is an "unrelated director".

Pursuant to the Strategic Management Agreement, the Board of Directors of the Company appoints the executive officers of the Company in accordance with the recommendations of LMT Management Ltd. At this time, the executive officers of the Company are: William H. Levine, T. Richard Turner, Wayne A. Duzita and Denise E. Turner, the last three of whom are full time employees of IAT Management Inc., which provides management and other services as described below in greater detail. LMT Management Ltd. has been granted an option, vesting over five years, to acquire up to 25% of the outstanding common shares of IAT for $2,351,900 ($1.335 per share) at any time up to June 10, 2007. Its director nomination rights are tied to retention of common shares, or this option to acquire such shares, comprising at least 10% of the common shares of IAT.

In addition, IAT contracts its day-to-day property management and leasing and marketing activities to IAT Management Inc. pursuant to a Property Management Agreement and a Leasing and Marketing Agreement, each of which has a ten-year term. IAT Management Inc. is controlled by T. Richard Turner, the President and Chief Executive Officer of IAT, and is responsible for the management of the business of IAT and for employing and remunerating executive officers. The fees payable for the services under the Property Management Agreement and the Leasing and Marketing Agreement are 5.75% and 2.1 %, respectively, of gross revenues of IAT. The Property Management fees are recoverable from tenants; the Leasing and Marketing fees are not. IAT Management Inc. is also entitled, when applicable, to a fee of 6% of the cost of construction of certain improvements to leased premises.

Dividend Policy and Distributions

The Board of Directors of the Company has adopted a policy of distributing by way of dividends or a return of capital on the Shares substantially all of the Company's available cash after payment of all interest obligations on the Notes and other obligations, subject to IAT retaining such reserves as may be considered appropriate by the Board of Directors of the Company for capital expenditures and working capital.

The amount of cash to be distributed annually by the Fund per Trust Unit will, generally, be equal to the pro rata share of interest and dividends received by the Fund in the year, less expenditures incurred by the Fund. Quarterly distributions are payable to Unitholders of record on the last day of each calendar quarter and are expected to be paid on or about the 15th day of January, April, July and October of each year.

Dividends have been paid quarterly by the Company, initially at the rate of $150,000 per quarter, with an additional amount being paid on April 15th in each year, representing surplus cash available for distribution in respect of the prior year. On this basis, $93,000 was paid on April 15, 1998 (in respect of 1997), $177,000 was paid on April 15, 1999 (in respect of 1998) and $130,000 was paid on April 14, 2000 (in respect of 1999). In December 1999, the Company determined that the increased cash flow of the Company was sufficient to permit regular quarterly dividends to be increased to $215,000, and payments at this level commenced in January 2000. This increase has eliminated the requirement to make an annual surplus payment in April and has made distributions more even through the year.

The Fund is a taxable trust under the Income Tax Act (Canada) and is subject to taxation on its income for the year less the portion paid or payable to the Unitholders. Since all income is paid to the Unitholders in the year, the Fund has no taxable income.

Distributions paid by the Fund are generally taxable in the hands of the Unitholders. They are comprised of the interest (reported as "other income") and dividend income received by the Fund and, for the years 1997 to 2002, will also include an amount equivalent to the amortized portion of costs of issuance of the Trust Units which will be treated as a reduction of the adjusted cost base of the Unitholders' Trust Units and will be non-taxable.

Upon the disposition or deemed disposition of a Trust Unit, the Unitholder will generally realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition are greater (or less) than the adjusted cost base of the Trust Unit and any reasonable costs of disposition.

Dividend Summary

The summary of dividends paid by IAT since June 10, 1997 is as follows:

I) As allocated to Unitholders according to the dividend policy

Date Paid	In Respect of Quarter Ended		Amount	Per Unit
January 15, 1998	September 1997		$150,000	
April 15, 1998	December 1997		$150,000	
April 15, 1998	December 1997 (surplus)		$ 93,000	
		In Respect of 1997	$393,000	$0.0744
July 15, 1998	March 1998		$150,000	
October 15, 1998	June 1998		$150,000	
January 15, 1999	September 1998		$150,000	
April 15, 1999	December 1998		$150,000	
April 15, 1999	December 1998 (surplus)		$177,000	
		In Respect of 1998	$777,000	$0.1470
July 15, 1999	March 1999		$150,000	
October 15, 1999	June 1999		$150,000	
January 14, 2000	September 1999		$150,000	
April 14, 2000	December 1999		$215,000	
April 14, 2000	December 1999 (surplus)		$130,000	
		In respect of 1999	$795,000	$0.1504
July 14, 2000	March 2000		$215,000	
October 13, 2000	June 2000		$215,000	
January 15, 2001	September 2000		$215,000	
April 15, 2001	December 2000		$215,000	
		In respect of 2000	$860,000	$0.1627

2) As paid to Unitholders on a cash basis per calendar year

Date Paid		Amount	Per Unit
January 15, 1998		$150,000	
April 15, 1998		$243,000	
July 15, 1998		$150,000	
October 15, 1998		$150,000	
	During 1998	$693,000	$0.1311
January 15, 1999		$150,000	
April 15, 1999		$327,000	
July 15, 1999		$150,000	
October 15, 1999		$150,000	
	During 1999	$777,000	$0.1470
January 14, 2000		$215,000	
April 14, 2000		$345,000	
July 14, 2000		$215,000	
October 13, 2000		$215,000	
	During 2000	$990,000	$0.1873

Operations of IAT

The information contained in this Annual Report concerning the operations and financial condition and results of IAT is provided by IAT Management Inc.

IAT is in the business of developing and leasing buildings and related space at airports, which are designed for use by businesses involved in air transport services including air cargo and aircraft maintenance and ground handling. IAT leases land at airports in Vancouver, Calgary, Edmonton, Saskatoon and Winnipeg under long-term ground leases from airport authorities or the Government of Canada in these cities. It leases the facilities developed on these lands, which comprise a total of 1,246,000 square feet, to approximately 170 tenants.

The Air Cargo Facilities

IAT has approximately 1,036,000 square feet of air cargo and related space (the "Air Cargo Facilities") for lease in 17 buildings either developed or acquired by IAT on land leased by IAT. At the end of 2000, approximately 990,500 square feet (95.6%) of this space was leased by IAT to approximately 145 tenants (approximately 30 of whom occupy space in IAT's buildings at more than one airport). Ten of these buildings, comprising approximately 640,000 square feet of space, are on approximately 42 acres of land at the Vancouver International Airport. Effective December 31, 2000, a 52,000 square foot building at Vancouver primarily leased by one tenant was transferred into a joint venture in which IAT has a 50% interest.

IAT has operated the Air Cargo Facilities since 1966 and has developed relationships with its tenants over many years which give it a thorough knowledge of its tenants' needs. This has allowed IAT to maintain overall occupancy rates for the Air Cargo Facilities which have exceeded 90% since 1993.

Tenants of IAT's Air Cargo Facilities operate businesses within the air cargo industry and include passenger airlines (including Air Canada and Canadian Airlines International Ltd. which at year end leased approximately 19.2% of IAT's space and contributed approximately 16.8% of its revenue), integrated freight carriers (including Federal Express, UPS, DHL International, Emery Worldwide and BAX Global), air cargo handlers, freight forwarders, customs brokers, government agencies and others.

The Airside Facilities

In June 2000, IAT acquired approximately 210,000 square feet of hangar, office, shop and ramp space (the "Airside Facilities") at Vancouver International Airport. The Airside Facilities have been in operation at the Vancouver airport since the 1940's. At the end of 2000, 172,443 square feet (82.0%) of these facilities were leased to approximately 25 tenants which operate primarily in the business of aircraft maintenance and ground handling.

The Airside Facilities comprise approximately 99,000 square feet of post and beam constructed hangar, shop and office space and approximately 111,000 square feet of aircraft ramp. The majority of this space is leased on a "fully net" basis which provides for full recovery of operating costs including ground rent under leases which expire in the next two to three years. The remainder of the leases are of shorter duration and do not provide for full recovery of all operating costs. IAT Management expects to renew or replace all leases of the Airside Facilities on a "fully net" basis.

These businesses generally require direct access to airport infrastructure such as runways, passenger terminals, taxiways and secure service roads. Most of IAT's buildings are "airside" (buildings that are contiguous to or have direct access to airport infra-structure). Generally, "airside" buildings do not compete directly for tenants with "non-airside" buildings (buildings lacking such access). Consequently, IAT's results are more sensitive to the level of activity in the aviation industry rather than to the overall real estate cycle.

IAT's air cargo buildings are specifically designed for the needs of the air cargo industry with a flexible, modular design which permits a variety of configurations and expansion or contraction depending upon the needs of current and potential tenants. A combination of specialized facilities and limited availability of suitable land means that "airside" buildings generally achieve rents above those paid for industrial or warehouse buildings in non-airport locations.

Typically, IAT enters into leases with tenants for terms of five to ten years. Depending on the needs of the tenant, some leases are of shorter duration. Leases of approximately 15% to 20% of IAT's rentable space expire each year.

Discussion and Analysis of Financial Condition and Results of Operations

General

The Fund does not carry on any active business and is restricted to holding, and derives all its income from, the Shares and Notes of IAT. Accordingly, the Fund is entirely dependent on the results of operations of IAT which are summarized and included in the following discussion.

IAT's revenues and earnings and its level of distributable cash are affected by vacancy and lease rates, operating cost recoveries and maintenance and other capital cost requirements. These in turn are dependent on demand for the movement of air freight. The aviation industry in which IAT operates is cyclical, and the demand for the movement of airfreight is dependent upon the overall economy and level of activity in the aviation industry.

Results of Operations

The financial condition and results of operations of IAT are primarily affected by its operations at the Vancouver International Airport which account for approximately 61.8% of the space owned by IAT and 69.7% of its revenues for the year ended December 31, 2000. IAT acquired the Airside Facilities at Vancouver International Airport in June 2000. Because of the different nature of these facilities (including the ramp area) and the lease arrangements with tenants, results from operation of these facilities for 195 days of operation in 2000 are presented separately.

The Air Cargo Facilities

The strategy of IAT's management is to increase occupancy and cost recoveries so as to maximize cash flow. IAT has been successful in maintaining the occupancy rate of the Air Cargo Facilities during the past four years at between 94% and 96%. The occupancy level at December 31, 2000 was 95.6%. Revenues from those facilities increased by $289,000 during the year. Lease rates in 2000 averaged $9.52 per square foot, $0.11 per square foot (or 1.17%) higher than the average rates for 1999. This increase is due to general strength in the air cargo industry early in 2000 and resulting demand by tenants for space. Building operating cost recoveries were approximately 95.0% in 2000 (versus 95.2% in 1999). Recovery of operating costs for these buildings is expected to closely track the occupancy rate.

Earnings before interest on Notes, depreciation, amortization and income taxes ("EBITDA") were $7,011,000 in 2000 compared with $7,111,000 in 1999. The decrease in EBITDA results from higher interest costs and certain one-time expenses incurred in connection with various acquisition and development activities undertaken by IAT. These expenses are primarily professional fees and other costs related to projects including the development of the Phase X facility at Vancouver, establishment of a joint venture arrangement for ownership of this facility with the principal tenant (which occupies 90%) and negotiations for another acquisition which did not proceed. IAT elected not to defer any of such costs, all of which have been expensed on a current basis. As a result, general and administrative expenses for 2000 were approximately $189,000 above the expense level for 1999.

The Airside Facilities

The Airside Facilities are entirely located on the South Side of the Vancouver International Airport. The original building was built by Boeing Aircraft Company of post and beam construction in the 1940's. The Airside Facilities include 111,000 square feet of ramp area which has been expanded since construction of the building.

The current occupancy rate of these facilities is 82.0% inclusive of the ramp area. This conforms to management's expectations at the time of acquisition. The recovery of operating costs in 2000 was 92.6% which is higher than historic levels as a result of conversion of leases to a "fully net" basis. IAT Management Inc. expects to convert leases of these facilities to the same format as leases of the Air Cargo Facilities, as soon as possible. The existing lease terms expire over the next three years.

Lease revenues for these facilities were approximately $457,000 for the 195-day period since acquisition by IAT. EBITDA contributed by the Airside Facilities was approximately $75,000. Ratios for these facilities on a square foot basis are substantially lower than those for the Air Cargo Facilities because of the mixed nature of this operation, including the lease arrangements for the ramp area. The average lease rate for the Airside Facilities is $4.92 per square foot.

The acquisition agreement for the Airside Facilities included an arrangement for potential "top up" of cash flow from a contingent amount of $541,732, which has been set aside as "restricted cash", available to supplement lease revenues over a three-year period. If cash flow from this property does not meet the annual projections for a year, the deficiency may be made up from the amount reserved. Amounts not required to supplement cash flow in a year will become payable to the vendor.

Selected Financial Information of IAT – Air Cargo Facilities

	Year Ended December 31		
	2000	1999	1998
	Thousands of dollars		
Lease Revenue	$9,690	$9,402	$9,082
Operating Costs	7,138	6,545	6,260
Cost Recoveries	6,783	6,232	5,932
Earnings Before Interest on Notes, Depreciation, Amortization and Income Taxes	7,011	7,111	6,850
Capital Expenditures: (1)			
Maintenance (2)	437	125	304
Refurbishment (3)	234	122	311
Principal on Mortgages	492	397	348

Notes:
(1) Does not include financing costs of new facilities.
(2) Recoverable from tenants under the terms of the various tenant leases.
(3) Not recoverable from tenants. The amount for 1998 includes tenant improvement expenditures on additional facilities acquired in late 1997 in Edmonton and March 1998 in Vancouver.

Selected Ratios of IAT – Air Cargo Facilities

	Year Ended December 31		
	2000	1999	1998
Total Square Feet Owned at Year End (1)	1,036,000	992,000	992,000
Occupancy Rate at Year End	95.6%	96.4%	94.5%
Average Square Feet Owned During Year (1)	1,027,000	992,000	986,000
Average Occupancy Rate During the Year	95.3%	95.8%	93.6%
Average Lease Rate During the Year	$9.52	$9.41	$9.18
EBITDA Per Average Square Foot Owned	$6.83	$7.17	$6.95
EBITDA/Revenue	72.4%	75.6%	75.4%
Building Operating Cost Recovery	95.0%	95.2%	94.8%
EBITDA Per Trust Unit	$1.33	$1.35	$1.30

Notes:
(1) Effective December 31, 2000, IAT transferred a 52,000 square foot building into a joint venture arrangement with the principal tenant of the building. IAT has a 50% interest in the joint venture.

Selected Financial Information of IAT – Airside Facilities

	Year[1] Ended December 31 2000
	Thousands of dollars
Lease Revenue	$457
Operating Costs	$338
Cost Recoveries	$313
Earnings Before Interest on Notes, Depreciation, Amortization and Income Taxes	$ 75
Capital Expenditures: [2]	
Maintenance [3]	NIL
Refurbishment [4]	NIL
Principal on Mortgages	$122

Notes:

(1) For 195 days of operations.
(2) Does not include mortgage financing costs of acquisition of this facility.
(3) Recoverable from tenants under the terms of the various tenant leases.
(4) Not recoverable from tenants.

Selected Ratios of IAT – Airside Facilities

	2000
Total Square Feet Owned at Year End	210,000
Occupancy Rate at Year End	82.0%
Average Square Feet Owned During Year	112,563
Average Occupancy Rate During the Year	81.4%
Average Lease Rate During the Year	$4.92
EBITDA Per Average Square Foot Owned	$0.67
EBITDA/Revenue	16.4%
Building Operating Cost Recovery	92.6%
EBITDA Per Trust Unit	$0.014

SELECTED FINANCIAL INFORMATION OF IAT INC. – COMBINED BUSINESSES

	Year Ended December 31		
	2000 (1)	1999	1998
	Thousands of dollars		
Lease Revenue	$10,147	$9,402	$9,082
Operating Costs	7,476	6,545	6,260
Cost Recoveries	7,096	6,232	5,932
Earnings Before Interest on Notes, Depreciation, Amortization and Income Taxes	7,086	7,111	6,850
Capital Expenditures: (2)			
Maintenance (3)	437	125	304
Refurbishment (4)	234	122	311
Principal on Mortgages	614	397	348

Notes:
(1) Includes 195 days of results from the Airside Facilities.
(2) Does not include financing costs of new facilities.
(3) Recoverable from tenants under the terms of the various tenant leases.
(4) Not recoverable from tenants. The amount for 1998 includes tenant improvement expenditures on additional facilities acquired in late 1997 in Edmonton and March 1998 in Vancouver.

SELECTED RATIOS OF IAT INC. – COMBINED BUSINESSES

	Year Ended December 31		
	2000 (1)	1999	1998
Total Square Feet Owned at Year End	1,246,000 (2)	992,000	992,000
Occupancy Rate at Year End	93.3%	96.4%	94.5%
Average Square Feet Owned During Year	1,140,000 (2)	992,000	986,000
Average Occupancy Rate During the Year	93.9%	95.8%	93.6%
Average Lease Rate During the Year	$9.06	$9.41	$9.18
EBITDA Per Average Square Foot Owned	$6.22	$7.17	$6.95
EBITDA/Revenue	69.8%	75.6%	75.4%
Building Operating Cost Recovery	94.9%	95.2%	94.8%
EBITDA Per Trust Unit	$1.34	$1.35	$1.30

Notes:
(1) Includes 195 days of results from the Airside Facilities.
(2) Effective December 31, 2000, a 52,000 square foot building at Vancouver primarily leased by one tenant was transferred into a joint venture in which IAT has a 50% interest.

Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

Revenues increased to $10,147,000 from $9,402,000 (an increase of $745,000 of which $457,000 is attributable to the inclusion of revenue from the Airside Facilities for 195 days). Earnings before interest on Notes, depreciation and amortization, related party amounts and income taxes ("EBITDA") decreased by $25,000 during the year. The decrease was primarily attributable to increased interest costs and higher selling, general and administrative expenses. Mortgage interest increased by $522,000 with the increased level of mortgage debt ($29.7 million at December 31, 2000 compared to $22.2 million at the end of 1999). Selling, general and administrative expenses increased by $189,000 principally as a result of professional fees and expenses associated with development and acquisition activity.

Amortization increased from $1,742,000 in 1999 to $3,551,000 in 2000. This increase of $1,809,000 is in part due to the amortization of land leases which were increased in value, for accounting purposes, as a consequence of complying with the new CICA rules pertaining to future income taxes. In addition, approximately $841,000 of the increase results from the write off in 2000 of certain expenses incurred in 1999 in connection with efforts to acquire additional air cargo facilities. This write-off did not affect cash from operations in 2000 as these expenses were incurred in 1999 and deferred pending the conclusion of these efforts.

Refurbishment capital expenditures which are not recoverable increased by $112,000 in 2000 as a result of the relocation of several large tenants at the end of their lease term. Maintenance capital expenditures, which are recoverable, increased to $437,000 as a consequence of normal repairs and maintenance combined with roof repairs undertaken in Vancouver and parking lot repairs undertaken in Edmonton.

The combined occupancy rate decreased from 96.4% to 93.3% because of the inclusion of the Airside Facilities. The average lease rate decreased from $9.41 to $9.06 for the same reason, as the Airside Facilities have lower lease rates than the Air Cargo Facilities.

All of the remaining ratios decreased marginally as a result of the inclusion of the Airside Facilities.

Year Ended December 31, 1999 Compared to Year Ended December 31, 1998

Revenues in 1999 increased by $320,000 over 1998 as a result of higher occupancy levels and higher lease rates. EBITDA increased by $261,000 during 1999. Of this increase, approximately $15,000 was derived from increased operating cost recoveries (from 94.8% to 95.2%). The remainder of the increase was derived primarily from increased lease revenues, partially offset by marginally higher administrative expenses.

Liquidity and Capital Resources

The Fund is totally dependent upon IAT for the cash to pay its administrative expenses and the amounts ultimately distributed to the Unitholders. The distributions are based upon amounts of interest and dividends paid by IAT. The annual interest payment on the Notes is a continuing obligation of IAT to the Fund. The Company has adopted a policy of distributing to the Fund by way of dividends or a return of capital on the Shares substantially all of the Company's available cash after payment of all interest obligations on the Notes. The amount available will fluctuate based upon IAT's earnings and its requirements for refurbishment capital, financing costs and working capital.

IAT's cash from operations is not seasonal but is cyclical as it pertains to the aviation industry. Certain operating expenses (such as property taxes and insurance) are paid annually and are generally collected monthly from tenants. IAT maintains an operating credit facility of $750,000 both to meet its working capital requirements and to permit relatively even distributions to the Fund. The Company was able to meet all its working capital and other cash requirements from its own sources of cash in 2000 and, accordingly, there was no drawing on this facility. The level of refurbishment capital expenditures necessary to keep the business operating at current levels of profitability is anticipated to be approximately $225,000 per year and relates primarily to the refurbishing of tenant areas upon lease expiry or to accommodate new tenants in vacant space. In 2000, the Company incurred $234,000 of such costs and these were paid from the Company's cash flow from operations. In addition, operating expenditures of approximately $70,000 per year are required to paint, repair and otherwise clean tenant areas from time to time. These costs are not recoverable from tenants.

IAT may on occasion require additional capital to fund acquisitions and developments. These include the new Phase X development at the Vancouver International Airport, which opened in March 2000 and cost $3.7 million. Such acquisitions and developments are primarily funded by mortgage financing. In addition, IAT may incur costs from time to time in connection with potential acquisitions or expansions and related financing proposals. Pending the completion or other termination of these proposed transactions, such costs may be deferred and subsequently may be capitalized as part of the acquisition costs, applied against financing proceeds or expensed, depending on the nature and outcome of the proposed transaction.

Outlook

At the present time, the management of IAT believes that the outlook for the air cargo industry is stable. With reduced levels of world economic growth being forecast, cargo volumes will decrease in 2001. However, management does not currently believe that reduced volumes will impact its particular business. As a result, management expects that IAT will maintain the current level of dividend distributions to the Fund. Demand for space by tenants remains reasonably stable in most markets and vacancy rates are also reasonably stable. Recovery of costs has remained constant and the level of capital expenditures remains on budget. Average lease rates, before inclusion of the Airside Facilities, have increased marginally during the year.

The Vancouver International Airport Authority announced two years ago that it intends to look at the possibility and feasibility of developing and owning a number of businesses related to the airport. These include an air cargo facility on the opposite side of the airfield from the existing IAT air cargo facilities at that airport. Management has no present indication that the Vancouver International Airport Authority is proceeding with such a development at this time. To date, none of IAT's landlords, the local airport authorities, have developed competing air cargo facilities although this possibility exists.

Management continues to actively explore opportunities to acquire or develop additional air cargo facilities at both existing locations and at new locations.

April 6, 2001

IAT Management Inc.
per:

T. Richard Turner
President and Chief Executive Officer

Responsibility for Financial Reporting

The financial statements and other information pertaining to the Fund in this annual report are the responsibility of the Trustees of the Fund. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect estimates and judgements of the executive management of the Company.

The Company's executive management is also responsible for maintaining systems of internal and administrative controls to provide reasonable assurance that the Fund's assets are safeguarded, that transactions are properly executed in accordance with appropriate authorization and that the accounting systems provide timely, accurate and reliable financial information.

The Board of Directors is responsible for assuring that the Company's executive management fulfills its responsibility for financial reporting and internal control.

The financial statements have been audited on behalf of the Unitholders by PricewaterhouseCoopers LLP, Chartered Accountants, in accordance with generally accepted accounting standards. The Auditors' Report outlines the scope of their examination and their independent professional opinion on the fairness of these financial statements.

April 6, 2001

Robert J. Mair, Q.C.
Chairman
IAT Air Cargo Facilities Income Fund

Auditors' Report to the Unitholders of IAT Air Cargo Facilities Income Fund

We have audited the balance sheets of **IAT Air Cargo Facilities Income Fund** as at December 31, 2000 and 1999 and the statements of earnings and unitholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, British Columbia

March 9, 2001

IAT Air Cargo Facilities Income Fund

BALANCE SHEETS AS AT DECEMBER 31, 2000 AND 1999

(in thousands of dollars)

	2000 $	1999 $
ASSETS		
Current assets		
Cash and short-term investments	1,294	1,229
Prepaid expenses	–	18
Receivable from International Aviation Terminals Inc. (IAT)	–	6
	1,294	1,253
Investment in IAT (note 3)		
Subordinated notes - at cost	41,500	41,500
Common shares - at equity	3,041	4,512
	44,541	46,012
	45,835	47,265
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities		
Accounts payable	7	25
Distribution payable to unitholders	1,293	1,228
Due to IAT	16	–
	1,316	1,253
Unitholders' equity	44,519	46,012
	45,835	47,265

Subsequent event (note 9)

Approved by the Fund Trustees

Trustee
Robert J. Mair

Trustee
H. Bud Boyer

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF EARNINGS AND UNITHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

(in thousands of dollars, except per unit amounts)

	2000 $	1999 $
Earnings from investment in IAT		
Interest income on subordinated notes	5,188	5,188
Equity loss of IAT (note 3(b))	(481)	(1,240)
	4,707	3,948
Expenses		
Administration	130	229
Net earnings for the year	4,577	3,719
Unitholders' equity - Beginning of year	46,012	48,029
Distributions declared to unitholders (note 5)	(6,070)	(5,736)
Unitholders' equity - End of year	44,519	46,012
Net earnings per trust unit for the year	0.866	0.704
Number of units outstanding at end of year	5,285,168	5,285,168

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows
for the Years Ended December 31, 2000 and 1999

(in thousands of dollars)

	2000 $	1999 $
Cash flows from operating activities		
Net earnings for the year	4,577	3,719
Item not affecting cash - equity loss of IAT	481	1,240
	5,058	4,959
Change in non-cash working capital items	22	(2)
	5,080	4,957
Cash flows from investing activities		
Dividends received	990	777
Cash flows from financing activities		
Distributions paid to unitholders	(6,005)	(5,780)
Increase (decrease) in cash and short-term investments	65	(46)
Cash and short-term investments - Beginning of year	1,229	1,275
Cash and short-term investments - End of year	1,294	1,229

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements
for the Years Ended December 31, 2000 and 1999

(amounts in tables in thousands of dollars)

1. Organization and basis of presentation

IAT Air Cargo Facilities Income Fund (the Fund) is an unincorporated limited purpose trust created pursuant to a declaration of trust made as of March 15, 1997 (the Declaration of Trust) and governed by the laws of the Province of British Columbia. The Fund was created to acquire, indirectly, the common shares and subordinated notes of International Aviation Terminals Inc. (IAT) (note 3). The Fund's acquisition of the common shares and subordinated notes was financed by the public issue of units of the Fund (note 4).

While the Fund owns all of IAT's issued common shares, a corporate governance agreement provides that LMT Management Ltd. (LMT) is entitled to designate three of IAT's five directors. Accordingly, IAT does not meet the definition of a subsidiary for accounting purposes and the Fund accounts for its investment from the effective date of the acquisition using the equity method. Under this method, the cost of the investment is increased (decreased) by IAT's earnings (loss) and reduced by any dividends paid to the Fund by IAT

2. Significant accounting policies

Income taxes

The Fund is a unit trust for income tax purposes. As such, the Fund is only taxable on any taxable income not allocated to the unitholders. During 2000 and 1999, the Fund allocated all of its taxable income to the unitholders (note 5) and, accordingly, no current provision for income taxes has been made in these financial statements.

Effective January 1, 2000, the Fund and IAT adopted the new recommendations of the Canadian Institute of Chartered Accountants Handbook Section 3465, Income Taxes. The standard requires a change from the deferral method of accounting for income taxes to the asset and liability method. Under the asset and liability method, future income taxes are recognized for the future income tax consequences attributable to differences between the financial statement carrying values and their respective income tax bases. Future income tax assets and liabilities are measured using enacted income tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period in which the change occurs.

The effect on the Fund of adopting this new standard is the recognition of a future income tax liability of $16,486,000 at January 1, 2000, offset by an equal amount to the purchase price discrepancy (note 3(a)). This change has no impact on the determination of distributable cash and the 1999 financial statements have not been restated.

Notes to Financial Statements
for the Years Ended December 31, 2000 and 1999

(amounts in tables in thousands of dollars)

3. Investment in subordinated notes and common shares of IAT

a) Under purchase agreements with an effective date of June 10, 1997, the Fund purchased a 100% interest in IAT. The investment in IAT is made up as follows:

	2000 $	1999 $
12.5% subordinated notes	41,500	41,500
Common shares - at equity		
Balance - Beginning of year	4,512	6,529
Less:		
Equity loss of IAT (note 3(b))	(481)	(1,240)
Dividends received	(990)	(777)
Balance - End of year	3,041	4,512
Investment in IAT - End of year	44,541	46,012

The subordinated notes are due June 10, 2027 with interest paid quarterly. The notes are unsecured and rank behind any senior indebtedness, as defined.

The Fund has determined that its purchase price discrepancy, representing the excess of the purchase price paid over the related net book value of the IAT assets acquired in 1997, amounting to $22,983,193, is to be ascribed to IAT's land leases and buildings for equity accounting purposes and amortized in accordance with IAT's policy on a straight-line basis for those assets. Future income taxes related to this discrepancy of $16,486,000 have been added to the unamortized balance at January 1, 2000. As at December 31, 2000, the remaining unamortized balance was $35,487,200, including a provision for future income taxes of $14,195,000.

Notes to Financial Statements for the Years Ended December 31, 2000 and 1999

(amounts in tables in thousands of dollars)

3. Investment in subordinated notes and common shares of IAT (cont'd)

b) IAT's condensed statements of operations (audited) are as follows:

	2000 $	1999 $
Revenue		
Leases	10,147	9,402
Expenses		
Costs - net of recoveries	733	628
Amortization	3,551	1,742
Interest on notes and mortgages	7,132	6,655
Selling, general and administrative	384	195
	11,800	9,220
Earnings (loss) before income taxes	(1,653)	182
Recovery of (provision for) income taxes	2,086	(508)
Earnings (loss) for the year	433	(326)
Amortization of the Fund's purchase price discrepancy, net of future income taxes (note 3(a))	(914)	(914)
Equity loss of IAT	(481)	(1,240)

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

(amounts in tables in thousands of dollars)

4. Unitholders' capital

The Declaration of Trust provides that an unlimited number of trust units may be created and issued. Each unit represents an equal undivided beneficial interest in any distributions from the Fund and in the net assets in the event of termination or wind-up of the Fund. All units are of the same class with equal rights and privileges.

Under a prospectus dated May 30, 1997, the Fund qualified the distribution and sale of 5,285,168 units for cash consideration of $10 per unit, which, after deducting the costs of the issue, resulted in net unitholders' capital of $50,876,172.

LMT has been granted an option over a 10-year period to June 10, 2007 to purchase from IAT up to 1,761,723 common shares for the aggregate purchase price of $2,351,900 (to represent 25% of the then outstanding common shares of the company). The option vests, on a cumulative basis, over a five-year period, with 1,057,032 common shares having vested as of January 1, 2000 (704,688 shares as of January 1, 1999). Additional options may be granted if IAT issues additional shares during that period. To date, no common shares have been purchased under this option.

5. Distributions to unitholders

Distributions to unitholders are made on a quarterly basis. The amount of cash to be distributed annually to unitholders is equal to the total interest income earned on the subordinated notes and dividends or returns of capital received on the common shares of IAT, less any expenses incurred by the Fund or amounts that may be paid in connection with any cash redemption of units.

During the year ended December 31, 2000, the Fund declared distributions to unitholders of $6,070,000 or $1.1485 per unit (1999 - $5,735,885 or $1.0853 per unit).

Subsequent to year end, the Fund declared further distributions to the unitholders in respect of dividends from IAT for 2000 (note 9).

The financing costs of $1,975,508 incurred by the Fund on the issue of the units are deductible by the Fund on a straight-line basis over five years. Issue costs deducted by the Fund allow the Fund to designate an equivalent amount as a return of capital for income tax purposes to the unitholders. As at December 31, 2000, $474,086 (1999 - $869,198) of such issue costs were available for future designation as a return of capital.

Notes to Financial Statements for the Years Ended December 31, 2000 and 1999

6. Fund administration

The Fund has engaged IAT Management Inc. (IAT Management), a company controlled by IAT's president and chief executive officer, to provide administrative services in conjunction with the operations and administration of the Fund. The Fund will reimburse IAT Management for any incidental expenses incurred on its behalf. During the years ended December 31, 2000 and 1999, no expenses were reimbursed by the Fund.

7. IAT's management agreements

Pursuant to management, leasing and marketing agreements between IAT and IAT Management, IAT Management has agreed to provide IAT with management, development, leasing, and marketing services for the properties owned and leased by IAT. The terms of these agreements are for 10 years subject to certain early termination rights and obligations. IAT was charged $1,277,000 for the year ended December 31, 2000 (1999 - $1,149,000) under the agreements.

Pursuant to a strategic management agreement between IAT and LMT, LMT has agreed to provide strategic management and advice to IAT with respect to the assets and business of IAT for a period of 10 years subject to certain early termination rights and obligations. IAT will reimburse LMT for expenses incurred over the term of the agreement.

8. Financial instruments

The carrying values of the Fund's financial instruments approximate fair values in each case, except for the Fund's investment in subordinated notes and common shares of IAT. It is not practicable to determine the fair value of the investment given the terms and conditions that would influence such a determination.

9. Subsequent event

Subsequent to year end, IAT declared dividends payable to the Fund aggregating $215,001 ($0.041 per unit) in respect of 2000 earnings.

Auditors' Report to the Shareholders of International Aviation Terminals Inc.

We have audited the balance sheets of **International Aviation Terminals Inc.** as at December 31, 2000 and 1999 and the statements of earnings and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied on a consistent basis, except as disclosed in note 2.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, British Columbia

March 9, 2001

International Aviation Terminals Inc.

Balance Sheets as at December 31, 2000 and 1999

	2000 $	1999 $
ASSETS		
Current assets		
Cash	802,335	470,841
Accounts receivable	263,931	96,590
Income taxes recoverable	14,880	1,743
Recoverable costs	767,195	381,606
Prepaid expenses and deposits	142,951	153,272
Advances to IAT Air Cargo Facilities Income Fund	15,676	–
	2,006,968	1,104,052
Restricted cash (note 3)	541,732	–
Deferred charges	–	749,295
Intangible asset (note 3)	1,297,500	–
Capital assets (notes 4 and 5)	69,261,052	49,802,643
	73,107,252	51,655,990
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	914,449	2,074,901
Advances from affiliated company	48,019	119,100
Advances from IAT Air Cargo Facilities Income Fund	–	6,561
Tenant deposits	1,223,350	1,107,737
Deferred revenue	729,991	274,544
Current portion of long-term debt (note 6)	725,973	425,482
	3,641,782	4,008,325
Long-term debt (note 6)	70,462,941	63,312,211
Future income taxes (note 9)	15,693,138	469,001
	89,797,861	67,789,537
SHAREHOLDERS' DEFICIENCY		
Capital stock (note 7)	10	10
Contributed surplus (note 7)	6,916,177	7,906,178
Deficit	(23,606,796)	(24,039,735)
	(16,690,609)	(16,133,547)
	73,107,252	51,655,990

Subsequent event (note 13)

Approved by the Board of Directors

Director
T. Richard Turner

Director
William H. Levine

The accompanying notes are an integral part of these financial statements.

International Aviation Terminals Inc.

STATEMENTS OF LOSS AND DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000 $	1999 $
Lease revenue	10,147,246	9,401,754
Expenses		
Operating costs (note 10)	7,475,610	6,544,980
Cost recoveries	(7,095,908)	(6,231,702)
Leasing and marketing fees (note 10)	353,215	315,019
Selling, general and administrative	383,663	194,974
Interest on mortgages, less interest income (note 6)	1,944,458	1,467,862
	3,061,038	2,291,133
Earnings before interest on notes, amortization and income taxes	7,086,208	7,110,621
Interest on notes (note 6)	5,187,500	5,187,500
Amortization	3,551,434	1,741,897
	8,738,934	6,929,397
Earnings (loss) before income taxes	(1,652,726)	181,224
Provision for (recovery of) income taxes (note 9)		
Current	128,198	86,210
Future	(2,213,863)	421,674
	(2,085,665)	507,884
Earnings (loss) for the year	432,939	(326,660)
Deficit - Beginning of year	(24,039,735)	(23,713,075)
Deficit - End of year	(23,606,796)	(24,039,735)

The accompanying notes are an integral part of these financial statements.

International Aviation Terminals Inc.

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000 $	1999 $
Cash flows from operating activities		
Earnings (loss) for the year	432,939	(326,660)
Items not affecting cash		
Amortization	3,551,434	1,741,897
Future income taxes	(2,213,863)	421,674
	1,770,510	1,836,911
Change in non-cash working capital items	(547,212)	90,628
	1,223,298	1,927,539
Cash flows from investing activities		
Deferred charges	(841,536)	(37,765)
Purchase and construction of capital assets	(1,651,505)	(1,519,042)
Purchase of business (note 3)	(6,109,486)	-
Restricted cash (note 3)	(541,732)	-
	(9,144,259)	(1,556,807)
Cash flows from financing activities		
Advances to IAT Air Cargo Facilities Income Fund	(22,237)	(17,209)
Long-term debt borrowing	9,950,000	650,000
Repayment of long-term debt	(614,226)	(397,137)
Dividends on common shares	(990,001)	(776,994)
Repayment of advances from affiliated company	(71,081)	(40,676)
	8,252,455	(582,016)
Increase (decrease) in cash	331,494	(211,284)
Cash - Beginning of year	470,841	682,125
Cash - End of year	802,335	470,841
Supplemental information		
Interest paid	7,281,883	6,681,059
Income taxes paid	103,078	87,953
Capital asset transferred to joint venture for note receivable	1,884,552	-
Future income tax impact on intangible asset and capital assets	17,438,000	-

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements for the Years Ended December 31, 2000 and 1999

1. Business of the company

International Aviation Terminals Inc. (the company or IAT) is in the business of developing and leasing space used primarily as air cargo transfer point facilities. The company currently has facilities at airports in Vancouver, Calgary, Edmonton, Saskatoon and Winnipeg.

2. Significant accounting policies

Recoverable costs

In its leases with tenants, the company makes provision to recover, in addition to the rent paid, a proportionate share of the company's operating and maintenance costs, including rent paid by the company on its ground leases. Such costs and their recovery are recorded as incurred. Certain maintenance costs are deferred and recovered over a period ranging from three to ten years.

Deferred charges

Certain costs incurred in connection with proposed acquisitions or expansions and related expenses of proposed financing are deferred pending the transaction being completed or otherwise terminated. Such costs may be capitalized as part of the acquisition costs, applied against financing proceeds, or written off as amortization depending on the nature or outcome of the transaction.

Capital assets

Capital assets are recorded at cost, which includes interest capitalized during the construction period.

Amortization on capital assets is computed using the following methods and rates:

Land leases
- straight-line over terms of land leases

Buildings
- sinking fund – lesser of term of land lease and 40 years at 5%

Office equipment
- declining balance – 8% to 50%

Tenant improvements
- straight-line over terms of tenant leases

Fencing, signs, paving and landscaping
- declining balance – 8% to 20%

No amortization is recorded on construction-in-progress until the facility is available for use.

Intangible asset

The intangible asset is to be amortized over a period of 10 years, being the term of the contract.

Deferred revenue

Tenant rentals are normally billed in advance. These amounts are deferred and recognized as revenue over the billing period.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

Income taxes
Effective January 1, 2000, the company adopted the new recommendations of the Canadian Institute of Chartered Accountants Handbook Section 3465, Income Taxes. The standard requires a change from the deferral method of accounting for income taxes to the asset and liability method. Under the asset and liability method, future income taxes are recognized for the future income tax consequences attributable to differences between the financial statement carrying values and their respective income tax bases. Future income tax assets and liabilities are measured using enacted income tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period in which the change occurs.

The effect of adopting this new standard is the recognition of a future income tax liability of $12,727,000 at January 1, 2000, derived from the recognition of temporary differences arising from a previous business combination, and a corresponding increase in capital assets of $12,727,000. The 1999 financial statements have not been restated.

3. Acquisition of Airside Properties Limited

On June 19, 2000, the company acquired Airside Properties Limited (Airside), a company engaged in a similar business at the Vancouver International Airport, for $6,109,486 net cash. Airside was wound up into the company immediately following the acquisition which was accounted for using the purchase method. Results of operations are included from June 19, 2000. The purchase price was allocated as follows:

	$
Land leases	4,792,045
Building	4,792,045
Non-competition agreement (intangible asset)	1,350,000
Assumption of working capital	(113,604)
Future income tax liability	(4,711,000)
Net cash	6,109,486

The company was required to set aside $541,732 as restricted cash under the terms of the purchase agreement. This amount is contingently payable to the vendors of Airside for a period of three years based on the cash flow projections associated with the property. No liability for this payment had accrued to December 31, 2000.

Notes to Financial Statements
for the Years Ended December 31, 2000 and 1999

4. Capital assets

			2000
	Cost $	Accumulated amortization $	Net $
Land leases	36,182,694	8,147,775	28,034,919
Buildings	47,530,472	7,516,157	40,014,315
Office equipment	139,715	99,954	39,761
Tenant improvements	1,432,162	869,805	562,357
Fencing, signs, paving and landscaping	839,909	355,609	484,300
Construction-in-progress	125,400	–	125,400
	86,250,352	16,989,300	69,261,052

			1999
	Cost $	Accumulated amortization $	Net $
Land leases	18,572,280	6,711,617	11,860,663
Buildings	40,928,281	6,488,330	34,439,951
Office equipment	134,430	95,012	39,418
Tenant improvements	1,463,954	916,099	547,855
Fencing, signs, paving and landscaping	725,082	318,903	406,179
Construction-in-progress	2,508,577	–	2,508,577
	64,332,604	14,529,961	49,802,643

Amortization of capital assets amounted to $2,617,823 for the year (1999 - $1,741,897).

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

5. Joint venture

The company developed a building at the Vancouver International Airport during 1999 and 2000 and substantially financed the construction through a mortgage loan of $3,600,000. Effective December 31, 2000, the company formed a joint venture and transferred the property into the venture in exchange for a note receivable.

The company's proportionate interest in the joint venture is included in the balance sheet. Summarized financial information of IAT's share of the joint venture is provided below.

	$
Assets	
Capital assets	1,884,500
Liabilities	
Due to IAT	1,884,500
	–

Subsequent to year end, the joint venture completed its financing for the property and used the proceeds to repay the company. The company used the proceeds to retire its mortgage loan of $3,600,000. The company's financial statements reflect the mortgage liability netted against the amount due from the joint venture.

6. Long-term debt

	2000 $	1999 $
12.5% subordinated notes	41,500,000	41,500,000
Mortgages	29,688,914	22,237,693
	71,188,914	63,737,693
Less: Current portion of mortgages	725,973	425,482
	70,462,941	63,312,211

The aggregate principal payments required in the next five years to meet the retirement provisions of the above mortgages are as follows:

		$
Year ending December 31		
	2001	725,973
	2002	859,709
	2003	917,422
	2004	978,206
	2005	1,046,074
	Thereafter	25,161,530
		29,688,914

Notes to Financial Statements
for the Years Ended December 31, 2000 and 1999

Terms and conditions

The subordinated notes mature on June 10, 2027, are not redeemable or retractable before that date, and are unsecured and subordinated to all other senior indebtedness, as defined.

Included in mortgages in 1999 is a demand loan to finance the construction of additional facilities (note 4), which bears interest at prime plus 1%. This loan was converted to a mortgage during the year.

The mortgages are payable in monthly instalments, including interest at rates from 6.80% to 7.75%. Buildings to which the mortgages relate or other capital assets of the company and an assignment of leases and rents have been pledged as security. The mortgages have initial terms of 5 to 10 years and are normally renewed upon maturity.

Interest

Interest expense comprises:

	2000	1999
	$	$
12.5% subordinated notes	5,187,500	5,187,500
Mortgages	2,094,515	1,572,662
Interest income	(150,057)	(104,800)
	7,131,958	6,655,362

The company also has an unused operating facility of $750,000.

7. Capital stock

Authorized –
100,000,000 common shares without par value
Issued –

	2000	1999
	$	$
5,285,168 common shares	10	10

Notes to Financial Statements
for the Years Ended December 31, 2000 and 1999

Of the total consideration of $9,376,172 for the issuance of common shares on the formation of the company, $9,376,162 was allocated to contributed surplus. During the year ended December 31, 2000, dividends amounting to $990,001 (1999 - $776,994) were paid to IAT Air Cargo Facilities Income Fund (the Fund) and charged against contributed surplus as follows:

	2000	1999
	$	$
Contributed surplus - Beginning of year	7,906,178	8,683,172
Dividends paid	990,001	776,994
Contributed surplus - End of year	6,916,177	7,906,178

LMT Management Ltd. (refer to note 10(b)) has been granted an option over a 10-year period to June 10, 2007 to purchase from the company up to 1,761,723 common shares for the aggregate purchase price of $2,351,900 (to represent 25% of the then outstanding common shares of the company). The option vests, on a cumulative basis, over a five-year period, with 1,057,032 common shares having vested as of January 1, 2000 (704,688 shares as of January 1, 1999). Additional options may be granted if the company issues additional shares during that period. To date, no common shares have been purchased under this option.

8. Commitments

Operating leases

The company leases land from the Department of Transport and local airport authorities at airports in Western Canada. The lease terms are varied and expire in the period from 2008 to 2029. Lease rates are generally reviewed every five years.

Future minimum operating lease payments, using current established rates, are as follows:

	$
2001	2,519,072
2002	2,519,072
2003	2,519,072
2004	2,519,072
2005	2,519,072
Thereafter	30,458,709
	43,054,069

Notes to Financial Statements for the Years Ended December 31, 2000 and 1999

9. Income taxes

Significant components of the company's future tax assets and liabilities as at December 31, 2000 are as follows:

	$
Future tax asset	
Non-capital loss carryforwards	665,000
Other reserves	823,000
Total future tax assets	1,488,000
Future tax liabilities	
Book value of capital and intangible assets in excess of tax	17,181,138
Net future tax liability	15,693,138

The company's non-capital loss carryforwards expire in 2006 and 2007.

The reconciliation of income tax attributable to company operations computed at the statutory tax rates to income tax expense is as follows:

	Liability method 2000 $	Deferral method 1999 $
Provision (recovery) based on combined federal and provincial tax rates	(733,000)	83,363
Non-deductible expenses	619,000	329,097
Large corporations tax	128,198	86,210
Change in future taxes resulting from tax rate reductions	(1,814,000)	-
Other	(285,863)	9,214
Provision for income taxes	(2,085,665)	507,884

Notes to Financial Statements for the Years Ended December 31, 2000 and 1999

10. Related party transactions

a) Agreements with IAT Management Inc. (IAT Management)

Effective October 1, 1995, the company entered into agreements to pay property management, development, leasing, and marketing fees to IAT Management, a company controlled by the company's president and chief executive officer. During the year, the company was charged $1,277,000 (1999 - $1,149,000) under the agreements. The agreements are for a term of 10 years from June 10, 1997 and may be terminated with 12 months' notice by IAT Management. The property management fees are included in operating costs and are recoverable from tenants.

The company earned rental income of $74,598 (1999 - $78,846) from IAT Management during the year.

b) Agreement with LMT Management Ltd. (LMT)

Effective June 10, 1997, the company entered into an agreement with LMT, a company beneficially owned by the previous shareholders of the company, which has the right to nominate three of the company's five directors and to recommend the appointment of the executive officers of the company. LMT is to provide strategic management and advice with respect to the company's business. The company will reimburse LMT for expenses incurred over the 10-year term of the agreement ($nil to date). The agreement may be terminated by LMT with 12 months' notice. LMT holds an option to purchase common shares of the company (note 7).

c) Other related party transactions are disclosed elsewhere in these financial statements.

11. Financial instruments

The carrying values of the company's financial instruments approximate fair values. It is not practicable to determine the fair value of the subordinated notes given the terms and conditions that would influence such a determination.

12. Segmented information

Segmented information Management has determined that, during the period, the company operated within one business segment, which is the leasing of air cargo facilities in Canada.

During the years ended December 31, 2000 and 1999, the company had one tenant that constituted greater than 10% of total revenue. Those revenues amounted to $1,775,255 (1999 - $1,263,023).

13. Subsequent events

Subsequent to year end, the company declared dividends payable to the Fund aggregating $215,000 in respect of 2000 earnings.

Fund Information

IAT Air Cargo Facilities Income Fund

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Stock Exchange Listing / Symbols

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Head of Investment & Corporate Banking
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Alvin G. Poettcker
President and CEO
UBC Properties Trust
Vancouver, British Columbia

T. Richard Turner
President and Chief Executive Officer
International Aviation Terminals Inc. and
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Notes

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